



REGULATORY PROCEDURE
Cancellation of Licences or Registrations for Virtual
Asset Service Providers

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Table of Contents

List of Acronyms	3
1. Introduction	4
2. Statement of Objectives	4
3. Scope of Application	5
4. Interpretations	Error! Bookmark not defined.
5. General Conditions for Cancellation	5
6. Core Information for Cancellation of a VASP	6
7. Specific Requirements for Cancellation of a VASP	8
8. Additional Key Considerations and Information	12
9. Public Notice	12

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List of Acronyms

AML	Anti-Money Laundering
AMLRs	Anti-Money Laundering Regulations
CFT	Counter-Terrorist Financing
CIMA	Cayman Islands Monetary Authority
MAA	Monetary Authority Act
SARs	Suspicious Activity Reports
VASPs	Virtual Asset Service Providers
VASPA	Virtual Asset Service Providers Act

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Regulatory Procedure Cancellation of Licences or Registrations for Virtual Asset Service Providers

1. Introduction

- 1.1. This document establishes the Cayman Islands Monetary Authority's (the "Authority" or "CIMA") *Regulatory Procedure for Cancellation of Licences or Registrations for Virtual Asset Service Providers* ("VASPs"). The Procedure should be read in conjunction with the following:
- a) *Rule – Cancellation of Licences or Registrations for Virtual Asset Service Providers*;
 - b) Virtual Asset (Service Providers) Act ("VASPA"); and
 - c) any other relevant Acts and regulatory measures issued by the Authority from time to time.

2. Interpretations

- 2.1. The following definitions are provided for this Regulatory Procedure:
- 2.1.1. **'Cancel' or 'Cancellation'** refers to the termination of a licence or registration issued under VASPA, irrespective of the cause. This includes voluntary surrender, or voluntary liquidation of the licence or registration.
 - 2.1.2. **"Operator"** is as defined under section 2 of the VASPA.
 - 2.1.3. **"Virtual Asset Service"** has the same meaning as contained in the VASPA.
 - 2.1.4. **"VASP"** means a Virtual Asset Service Provider as defined under section 2 of the VASPA.
 - 2.1.5. All other terms used in this Procedure shall have the same interpretations as contained in the VASPA, unless otherwise specified herein.

3. Statement of Objectives

- 3.1. To protect the interests of VASP's clients, investors, or other concerned third parties (together referred to as "stakeholders") and to provide a clear framework by which VASPs are made aware of:
- a) the necessary steps and documentation required to confirm the cessation of business operations as a VASP;
 - b) the considerations and steps followed by the Authority to cancel a licence or a registration, pursuant to the VASPA;
 - c) the assurance or evidence required by the Authority that the VASP has not been or is not being wound up, transferred, merged, converted, or



REGULATORY PROCEDURE
CANCELLATION OF LICENCES OR REGISTRATIONS FOR VIRTUAL ASSET SERVICE PROVIDERS

otherwise ceasing business operations as a licensed or registered VASP in a way that is prejudicial to stakeholders.

- 3.2. The measure is consistent with the Authority's statutory objectives as prescribed in the Monetary Authority Act ("MAA"), including:
- a) promoting and maintaining a sound financial system in the Cayman Islands;
 - b) enhancing market confidence by ensuring transparent and orderly cancellation procedures;
 - c) protecting the reputation of the Cayman Islands as a well-regulated jurisdiction for virtual asset services by upholding international regulatory standards; and
 - d) safeguarding stakeholders' interests by ensuring the proper management of client assets and the resolution of financial or operational obligations during cancellation.

4. Scope of Application

- 4.1. This procedure applies to the VASPs that:
- a) have chosen to cease virtual asset services permanently and are winding down operations in the Cayman Islands;
 - b) have been registered or licensed by the Authority, but never initiated business activities or client interactions;
 - c) are discontinuing business in the Cayman Islands or relocating operations to another jurisdiction; or
 - d) are voluntarily seeking to cancel their licence or registration pursuant to the provisions of the VASPA.
- 4.2. Involuntary revocations, including those resulting from regulatory breaches or enforcement actions, are addressed under the Authority's enforcement powers, vested in the MAA and associated regulations and published in the *Enforcement Manual*.
- 4.3. References to any Act or regulation shall be construed as references to those provisions as commenced, amended, modified, re-enacted or replaced from time to time.

5. General Conditions for Cancellation

- 5.1. *Good Standing*
- The Authority validates that the VASP seeking to cancel a licence or a registration is in good standing on the date of its cancellation. Good standing means that the VASP has paid all prescribed fees, filed all audited financial statements or provided management accounts (as required) and has resolved any outstanding regulatory obligations with the Authority.



5.2. *AML and Sanctions Compliance*

To confirm that the VASP has satisfied all Anti-Money Laundering (“AML”) and Counter-Terrorist Financing (“CFT”) requirements, the Authority verifies that the VASP has:

5.2.1. provided confirmation from its Compliance Officer attesting that all AML/CFT systems and procedures for compliance with the Anti-Money Laundering Regulations have been finalised, and no suspicious transactions remain under review. This confirmation can take the form of a notarised document or report.

5.2.2. certified, through its Compliance Officer or equivalent person, that the VASP is in compliance with sanctions requirements, including clearing transactions screening. This certification is submitted to the Authority as part of the cancellation process to ensure that no transaction involve a sanctioned person, entity or jurisdiction.

5.3. *Stakeholder Communication*

The Authority reviews documentation provided by the VASP confirming that all relevant stakeholders were informed of the cancellation. This may include, but is not limited to, copies of client notifications, instructions for asset withdrawals, and evidence of client services continuity. In addition, the Authority validates whether the VASP has submitted confirmation that all relevant agreements or relationships (if any) have been cancelled and that there are no ongoing or outstanding obligations or liabilities against the relevant stakeholders.

The Authority may request copies of final notices, client communications, and distribution confirmations in order to verify that all stakeholders were informed by the VASP of the cessation of business.

5.4. *Multiple Licences or Registrations*

If the VASP holds another licence or is registered with the Authority under another regulatory Act, and the activities conducted under that other regulatory Act are also ceasing, the Authority will substantiate that the necessary procedures have been followed and the documentation submitted in accordance with the other regulatory acts.

5.5. *Verification that no other unresolved regulatory matters exist.*

The Authority may seek to verify documentation to substantiate that the VASP has no other outstanding regulatory matters, which may include but are not limited to, the completion of AML Surveys, Travel Rule Reports, or on-site inspection reports, pending requests or changes in ownership or directors or senior officers.

6. **Core Information for Cancellation of a VASP**

In the process for cancellation, the Authority assesses the VASP’s submission of the following core information to the Authority, regardless of the VASP’s reason for cancellation:

6.1. *Notification for Cancellation*

The Authority receives and reviews a letter of intention along with any form prescribed by the Authority, for the cancellation of licence or of registration



REGULATORY PROCEDURE
CANCELLATION OF LICENCES OR REGISTRATIONS FOR VIRTUAL ASSET SERVICE PROVIDERS

from the VASP indicating its intention to cancel its licence or registration, the contents of which captures the following details:

- 6.1.1. a clear statement of intent to cancel the licence or registration;
 - 6.1.2. the effective date of the intended cessation of operations;
 - 6.1.3. an explanation of the rationale for cancellation;
 - 6.1.4. confirmation that all statutory, regulatory, and financial obligations have been fulfilled; and
 - 6.1.5. a contact person for any further correspondence regarding the cancellation
- 6.2. *Licence or Registration document*
The original licence or registration document from the Authority that granted the licence or registration to the applying VASP is to be returned. If the licence or registration document is lost, an affidavit is to be signed by the VASP's operators affirming the loss and to return it to the Authority if found. This requirement is not applicable where an electronic document was issued by the Authority (including any credentials relating to the VASP's change of name).
- 6.3. *Fees*
If there is a prescribed fee associated with the voluntary surrender of the VASP's licence or registration, the Authority will confirm that the full payment of such fee was made by the VASP.
- 6.4. *Resolution*
A certified copy of the resolution or other formal documentation signed by the VASP Board of Directors or equivalent governing body (and/or stakeholders, where applicable) indicating the effective date of business cessation.
- 6.5. *Final Audit Report*
The submission of the final audit report, conducted by an auditor approved by the Authority, covering all operational and transactional activities up to the date of cancellation. If a final audit report is unavailable, the Authority reviews management accounts submitted by the VASP, accompanied by a statement explaining the rationale for providing these accounts in place of the audited report.
- 6.6. Unless exempted by CIMA, the Authority assesses the audited financial statements cover the period from the date of the last submitted financial statements to the final day of business operations or liquidation date.
- 6.7. The financial audit comprises of the following:
- 6.7.1. a reflection of all assets, liabilities, income, and expenses up to the date of cancellation, verifying that client funds were appropriately handled, distributed, or transferred.
 - 6.7.2. any final client transactions, settlements, or asset transfers, ensuring transparency in closing procedures.



REGULATORY PROCEDURE
CANCELLATION OF LICENCES OR REGISTRATIONS FOR VIRTUAL ASSET SERVICE PROVIDERS

6.7.3. an independent auditor approved by CIMA conducts the audit, focusing on compliance, asset handling, and closure accuracy.

6.8. *Additional financial records*

The Authority may request additional financial records to substantiate information related to gaps or discrepancies that are identified in the audited financial statements submitted, particularly in relation to high-value transactions or unresolved client distributions.

6.9. *Evidence of Asset Reconciliation and Liability Resolution*

The Authority will assess the evidence that VASP has demonstrated the reconciliation of client assets and the resolution of financial liabilities. This evidence ensures the orderly cessation of operations and the protection of stakeholder interests. The submission may include the following:

6.6.1 a summary of client account closures, including transfers or returns of assets, with supporting documentation, which may include bank transfer records, blockchain transaction records etc.;

6.6.2 details of outstanding liabilities and the steps taken to resolve them; and

6.6.3 confirmation that no pending legal or financial claims exist.

7. Specific Requirements for Cancellation of a VASP

7.1. The Authority will consider a request to cancel to be complete when it receives the core requirements under section 6 above, along with any additional specific documentation relevant to the reason for the cancellation.

7.2. This section outlines the specific requirements that the Authority assesses based on the reason that the VASP is applying cancellation. This section of the Procedure lists some of the reasons for cancellation and the corresponding additional documentation that is required.

7.3. *Ceasing to Carry on Business*

In cases where the VASP's cancellation is due to the cessation of business, the Authority evaluates the VASP's submission of a cessation plan. This plan may be affirmed by an authorised representative of the VASP, such as a director, officer, or, where applicable, a liquidator. With the main objective being to ensure that all the clients' assets of the VASP have been transferred or closed with proper documentation. The Authority considers the following step-by-step elements of the cessation plan:

7.3.1. explain the rationale behind the decision for the cessation of business operations, including relevant details, such as business decline, or strategic redirection etc;

7.3.2. confirm that all statutory and regulatory obligations, including annual filings and AML compliance, have been met;



REGULATORY PROCEDURE
CANCELLATION OF LICENCES OR REGISTRATIONS FOR VIRTUAL ASSET SERVICE PROVIDERS

- 7.3.3. confirm that all stakeholders have been notified of the cessation, including the timeline for closure and instructions for any actions required on their part;
 - 7.3.4. verify that all outstanding virtual asset holdings or client fiat balances have been distributed or securely transferred. This includes a record of asset returns, transfers to other custodians, or direct client withdrawals with relevant supporting documentation;
 - 7.3.5. confirm that there are no outstanding claims, disputes, or financial obligations that would impede the cessation of business; and
 - 7.3.6. specify the intended status of the legal entity post-cessation, such as continuing as a dormant entity or seeking strike-off from the General Registry in the Cayman Islands.
- 7.4. *Voluntary Liquidation*
In a case where the VASP opts to a voluntary liquidation process and appoints a third-party liquidator, the Authority reviews the following additional oversight documentation, to promote asset protection and orderly closure:
- 7.4.1. a copy of the official notice of liquidation, filed with the Registrar of Companies in the Cayman Islands. This notice confirms the liquidation status and provides the initial date of the liquidation process.
 - 7.4.2. a written and notarised statement by the appointed liquidator consenting to act as the liquidator for the VASP, including a stamp affixed by the relevant Registrar to confirm the liquidator's authority and compliance with Cayman Islands law.
 - 7.4.3. an affidavit from the liquidator comprising of the following verifications:
 - 7.4.3.1. the circumstances leading to the liquidation, such as financial difficulties, a strategic decision by stakeholders, or market conditions affecting viability or otherwise;
 - 7.4.3.2. that all client and stakeholder assets have been distributed correctly and in line with the VASP's contractual and fiduciary obligations;
 - 7.4.3.3. the records of final distributions, include but not limited to bank confirmations, blockchain transaction records or wallet transfer proofs or any other verifiable documentation specific to crypto-asset transactions, as evidence of settlement; and
 - 7.4.3.3. that during the liquidation process, no fraud, mismanagement, or financial irregularities were identified or detail any corrective actions taken if issues were discovered.
- 7.5. *Court-Supervised or Court-Appointed Liquidation*
In a case where the VASP is undergoing a court-supervised or court-appointed liquidation, the Authority evaluates the following submissions:



REGULATORY PROCEDURE
CANCELLATION OF LICENCES OR REGISTRATIONS FOR VIRTUAL ASSET SERVICE PROVIDERS

- 7.5.1. a certified copy of the court-issued winding-up order from the Grand Court of the Cayman Islands (the "Court"). This document is substituted for the core requirement related to fee payments in subsection 6.3 above.
- 7.5.2. certified copies of each of the liquidator(s) filings of periodic reports with the Court detailing progress on the liquidation and adherence to statutory duties. The Authority also evaluates the following information within these reports:
 - 7.5.2.1. the progress or updates on the distribution of client assets and the management of liabilities; and
 - 7.5.2.2. confirmation that the liquidation process aligns with the court's instructions, including any court-mandated distributions or settlements.
- 7.6. *Transfer to Another Jurisdiction*

In cases of cancellation of a licence or a registration for a VASP due to transfer to another jurisdiction, the Authority assesses a number of documents from the VASP including, but not limited to:

 - 7.6.1. an affidavit from the VASP, which comprises of comprehensive explanations of the following:
 - 7.6.1.1. a clear rationale for the relocation, such as strategic expansion, regulatory benefits, or client demand;
 - 7.6.1.2. the specific destination jurisdiction where the VASP will operate post-transfer; and
 - 7.6.1.3. affirmation that the VASP has complied with regulatory requirements in the Cayman Islands up to the transfer date and that it is prepared to meet the legal obligations in the new jurisdiction.
 - 7.6.2. documentation of the conditional or full regulatory approval from the other regulatory authority in the new jurisdiction, confirming that the VASP is eligible to operate under that jurisdiction's laws. This can include:
 - 7.6.2.1. official documentation from the new regulator granting approval or in-principle consent for the VASP's operations; and
 - 7.6.2.2. a summary of any outstanding conditions or requirements the VASP is required to fulfil to comply with the laws in the new jurisdiction.
- 7.7. *Virtual Asset Service Providers that never carried on business*

If a licensed or registered VASP is seeking to cancel but has never carried out any business over the life of its licence or registration, the Authority evaluates the following documents:



REGULATORY PROCEDURE
CANCELLATION OF LICENCES OR REGISTRATIONS FOR VIRTUAL ASSET SERVICE PROVIDERS

- 7.7.1. an affidavit from the VASP's Board of Directors or equivalent governing body explaining why the business was not commenced, including the following confirmations:
 - 7.7.1.1. no transactions were conducted, no client accounts were opened under the VASP's registration; and
 - 7.7.1.2. no client funds were collected or retained, or if any client funds were collected, they were returned in full before the notice for cancellation.
- 7.7.2. a letter signed by an independent auditor, legal counsel, or Director appointed by the VASP. The Authority will assess the independence and qualifications of the appointed party to ensure they are competent to verify the VASP's compliance with cancellation requirements. The letter also seeks to confirm that the VASP has never carried on business verifying the following:
 - 7.7.2.1. that no transactions were executed or processed; and
 - 7.7.2.2. that any initial client deposits or subscriptions, if collected, were returned promptly.
- 7.8. *Does Not Meet the Definition of a VASP*
 - 7.8.1. If an entity no longer meets the definition under the VASPA, the Authority may consider and review the relevant documentation to ascertain whether all regulatory requirements for that VASP cancellation are in order.
 - 7.8.2. If the VASP no longer meets the definition of a licensed or registered VASP under the VASPA because of a restructuring or a change in its business model, the Authority assesses the following documentation:
 - 7.8.2.1. an affidavit from the VASP comprising the following details:
 - 7.8.2.1.1. the description of the restructuring or business model change that renders the VASP outside of the VASP definition in the VASPA; and
 - 7.8.2.1.2. confirmation of the cessation of virtual asset services.
 - 7.8.2.1. A statement from the VASP confirming that all client assets have been managed according to compliance with AML/CFT standards and other regulatory requirements, including:
 - 7.8.2.2.1. confirmation that client assets were returned or transferred to another compliant entity; and
 - 7.8.2.2.2. assurance that all outstanding regulatory and financial obligations have been met.
 - 7.8.3. In cases where the definition of a VASP has changed due to amendments to the VASPA, the Authority will assess whether the



REGULATORY PROCEDURE
CANCELLATION OF LICENCES OR REGISTRATIONS FOR VIRTUAL ASSET SERVICE PROVIDERS

entity's activities fall within the updated definition. If not, the Authority will follow the same documentation requirements outlined in 7.8.2 to ensure compliance and orderly cancellation.

7.9. Lapse of a licence or registration due to the non-payment of the applicable renewal fees

7.9.1. In cases where the VASP's licence or registration lapses due to the non-payment of renewal fees and associated surcharges; the Authority will consider a statement from the VASP clearly explaining the causes for such non-payment.

7.9.2. The Authority may also consider the provisions set out under section 5 (5) to (7) of the VASPA to waive any additional fees for good cause.

8. Additional Key Considerations and Information

8.1. In assessing whether the VASP has no remaining obligations at the time of the request for the cancellation of a licence or a registration, the Authority may request additional prescribed information to complete the evaluation and grant approval on a case-by-case basis.

9. Public Notice

9.1. The Authority may publish a public notice in the Cayman Islands Gazette announcing the cancellation of a licence or of a registration.



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